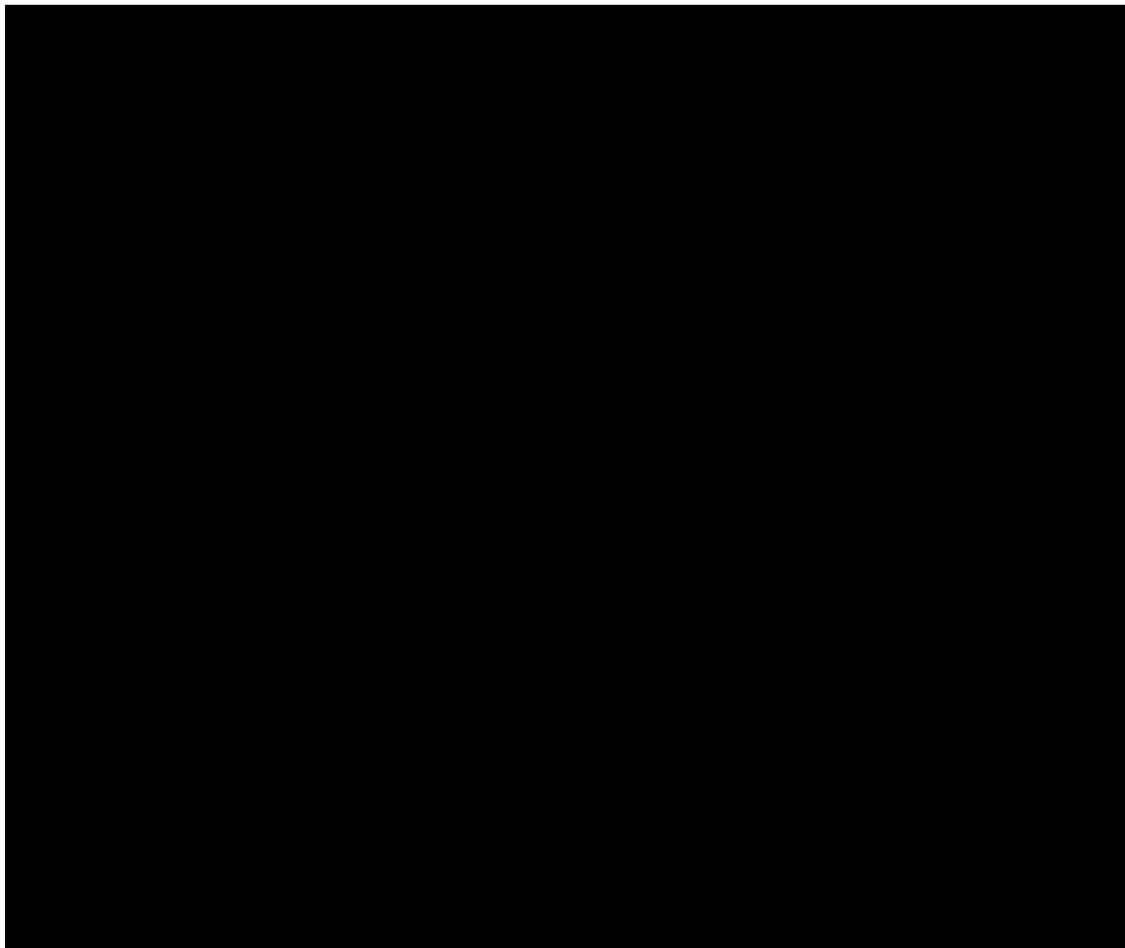


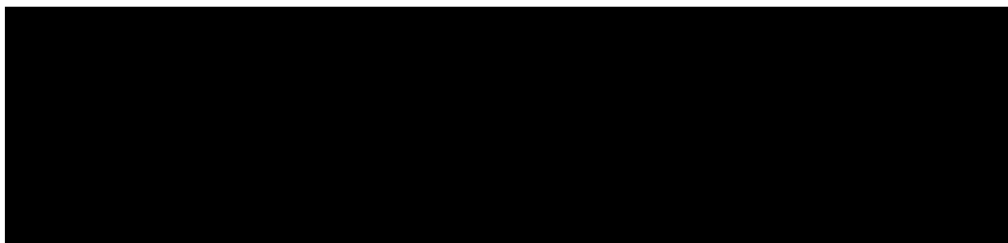
APPROVED FOR RELEASE(1)
DATE: DEC 2001 (b)(3)
(S)

~~SECRET~~
NOFORN, NOCONTRACT, ORCON

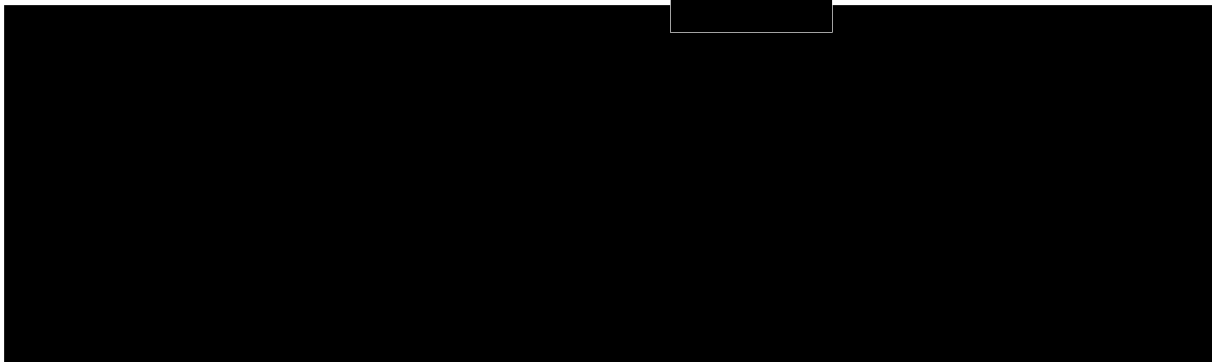
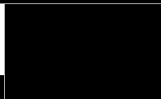


MAY 1992

CONTENTS:



ITEM 4: CALI CARTEL MONEY LAUNDERING



NOFORN, NOCONTRACT, ORCON

~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON

NOFORN, NOCONTRACT, ORCON

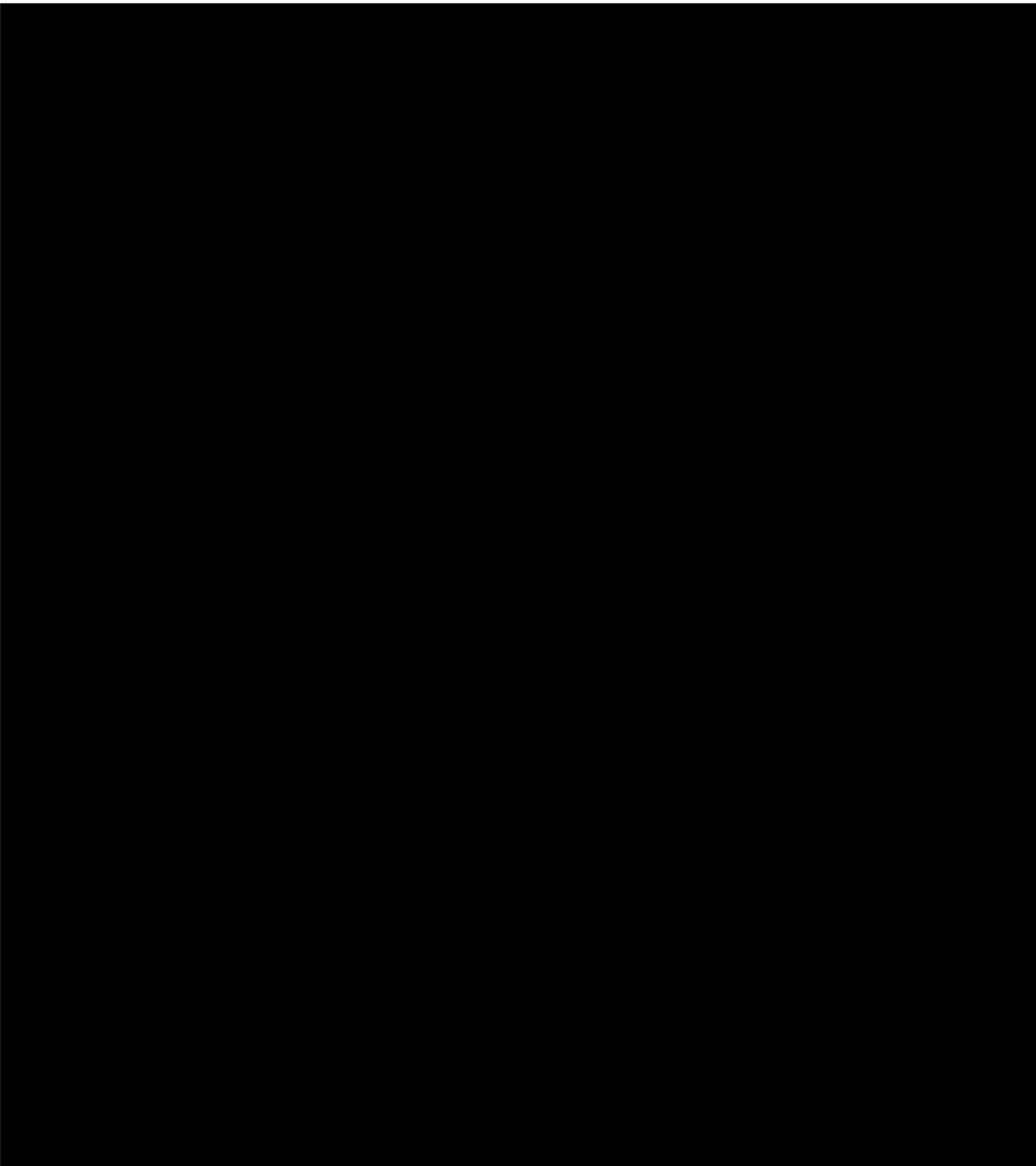
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON

NOFORN, NOCONTRACT, ORCON

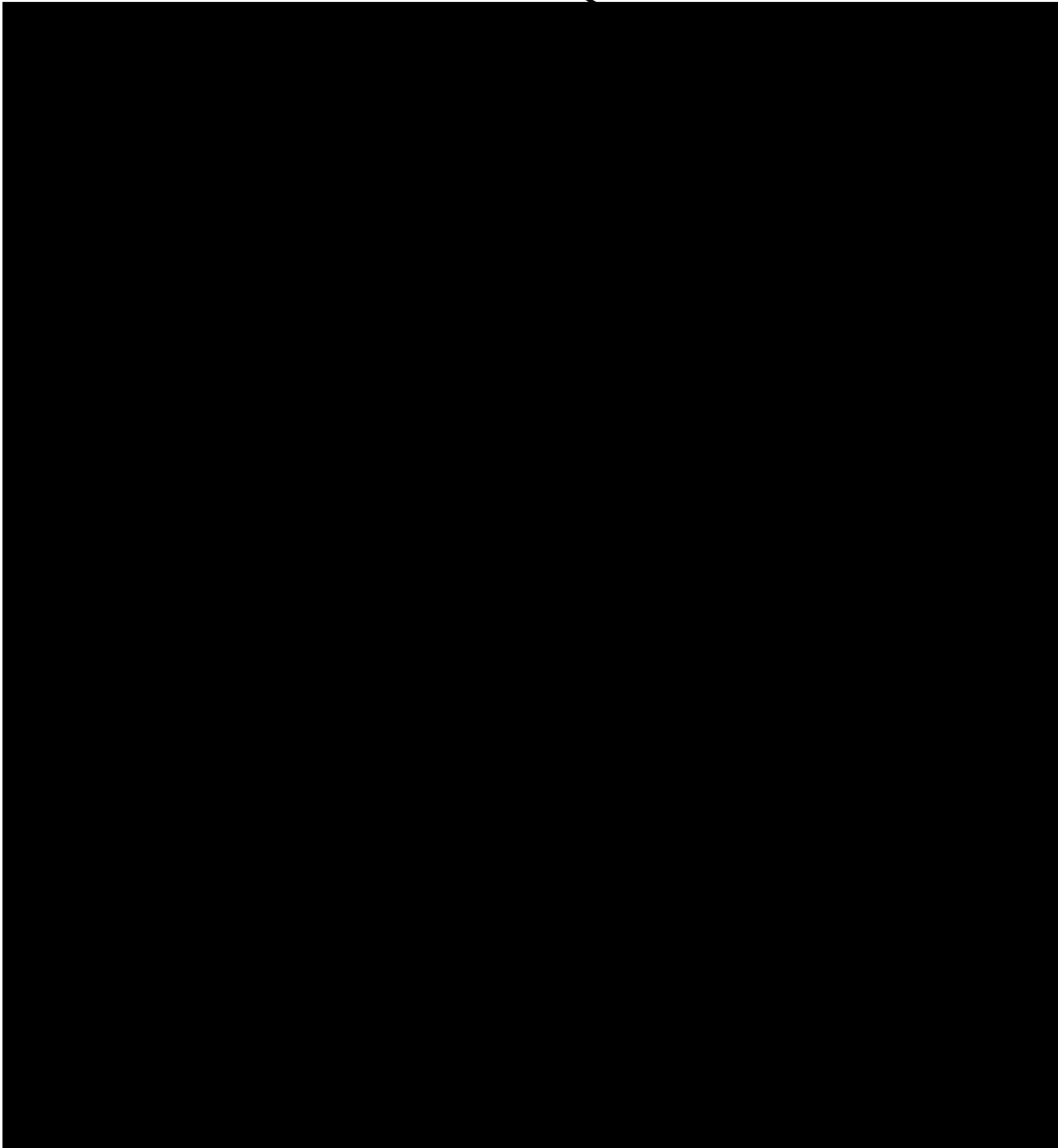
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



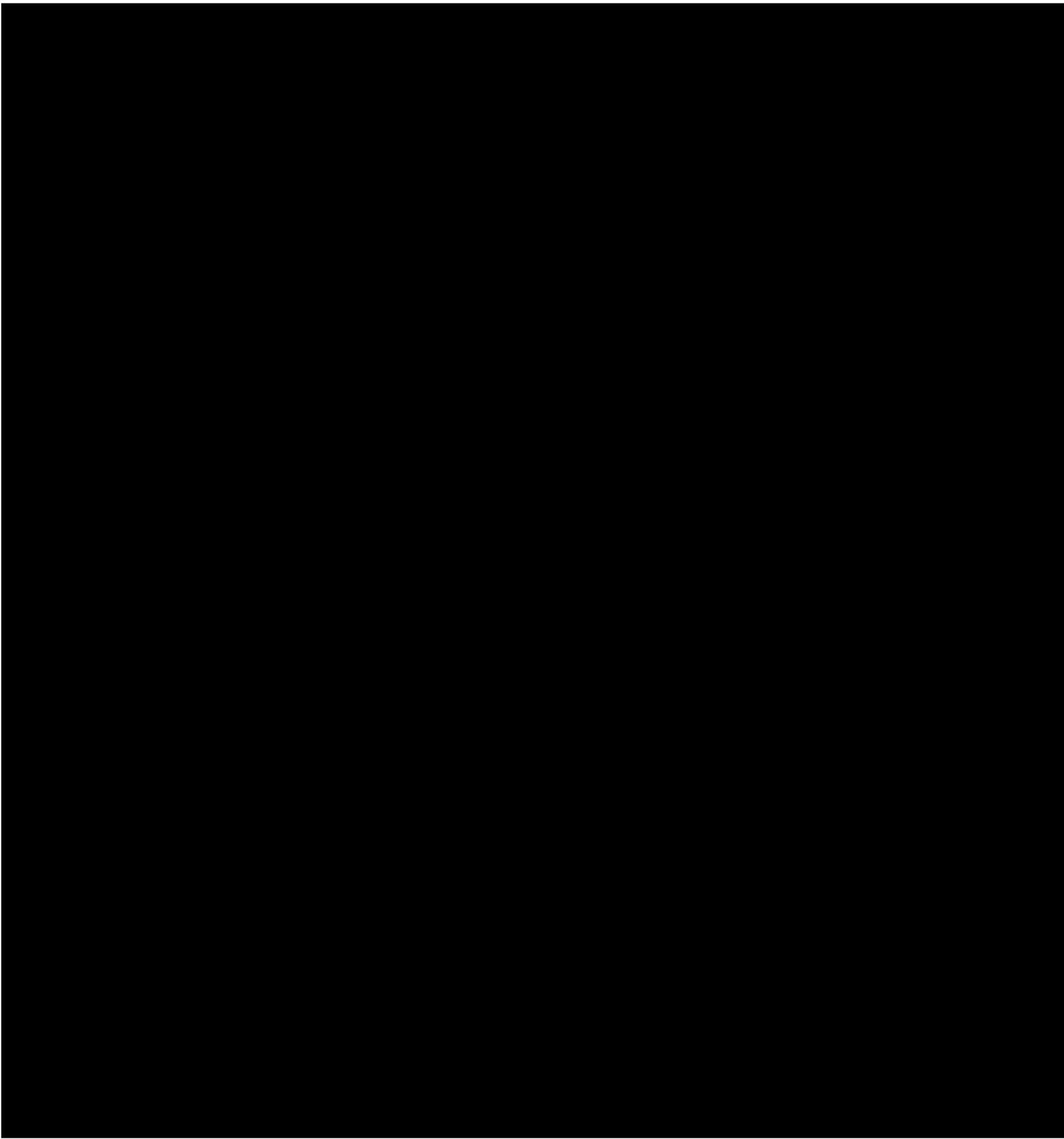
NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



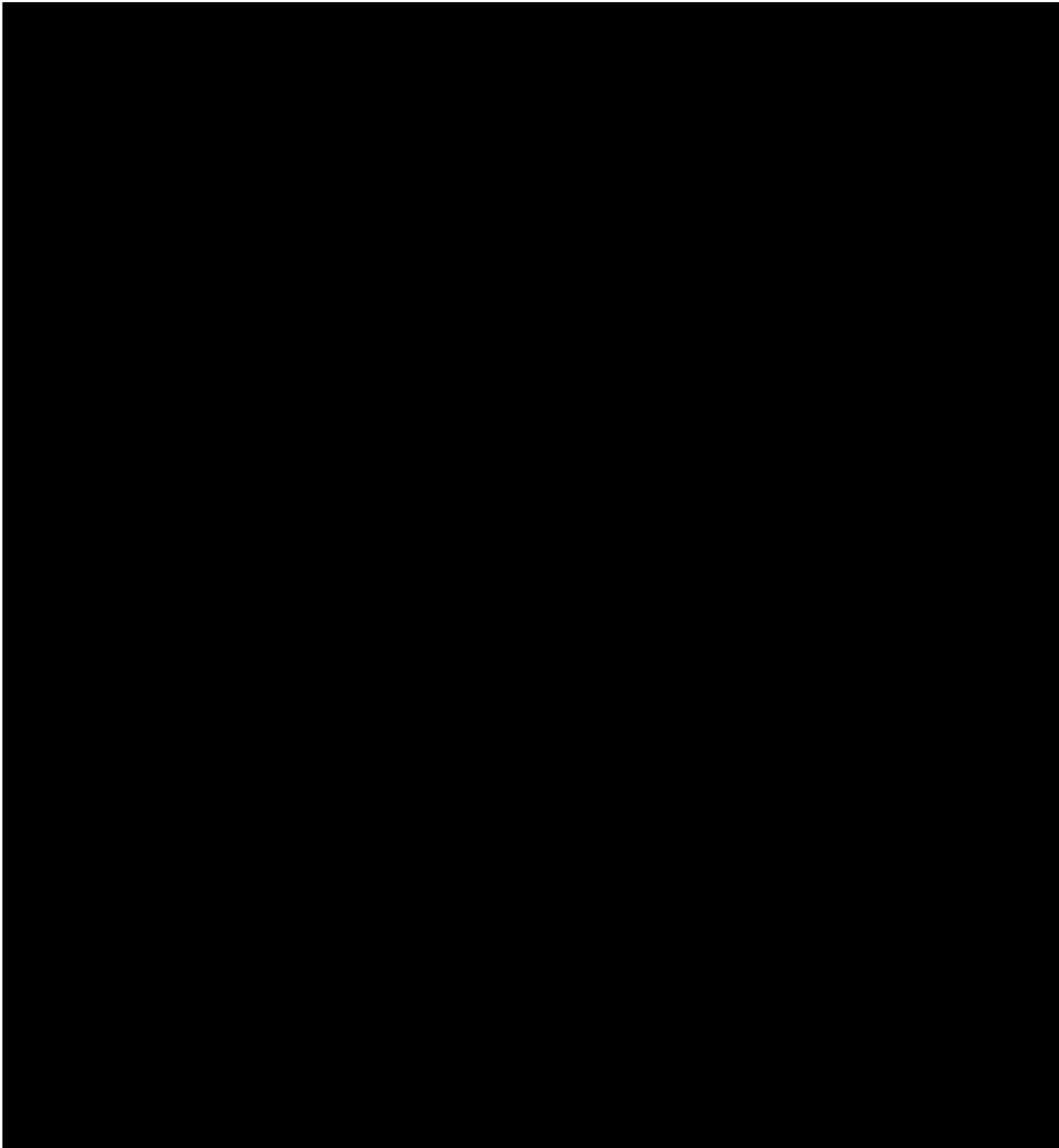
NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN , NOCONTRACT , ORCON



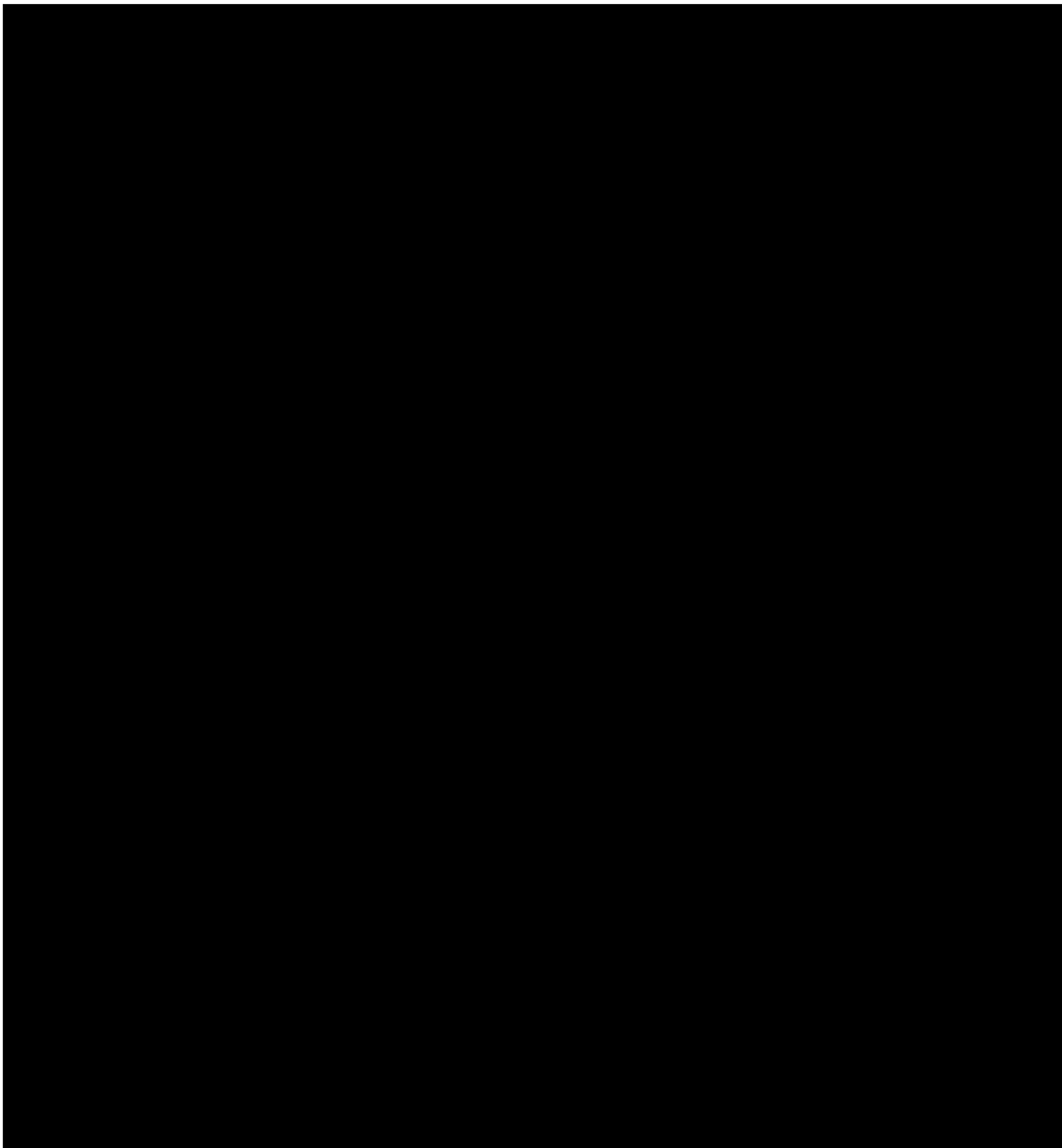
NOFORN , NOCONTRACT , ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



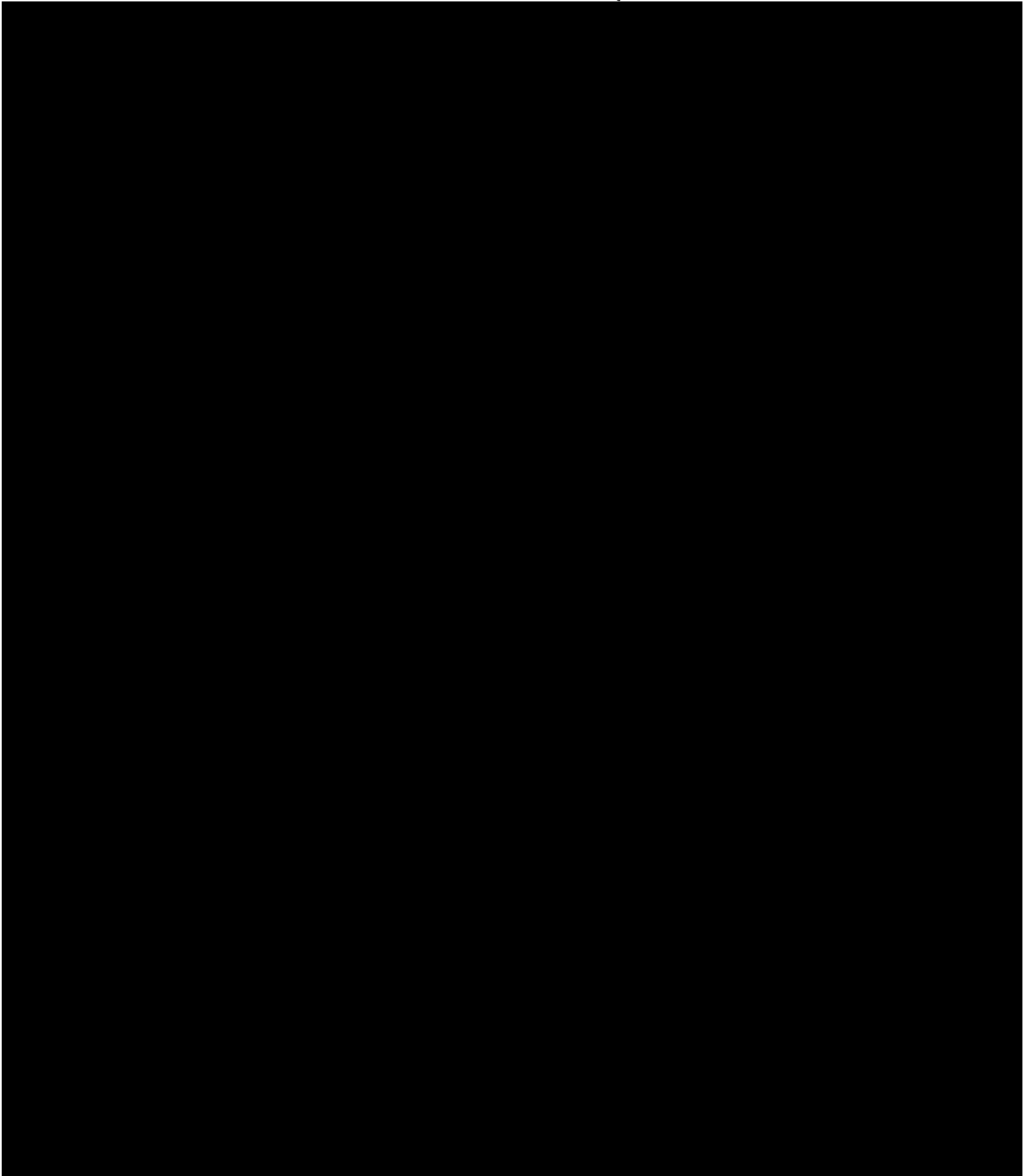
NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



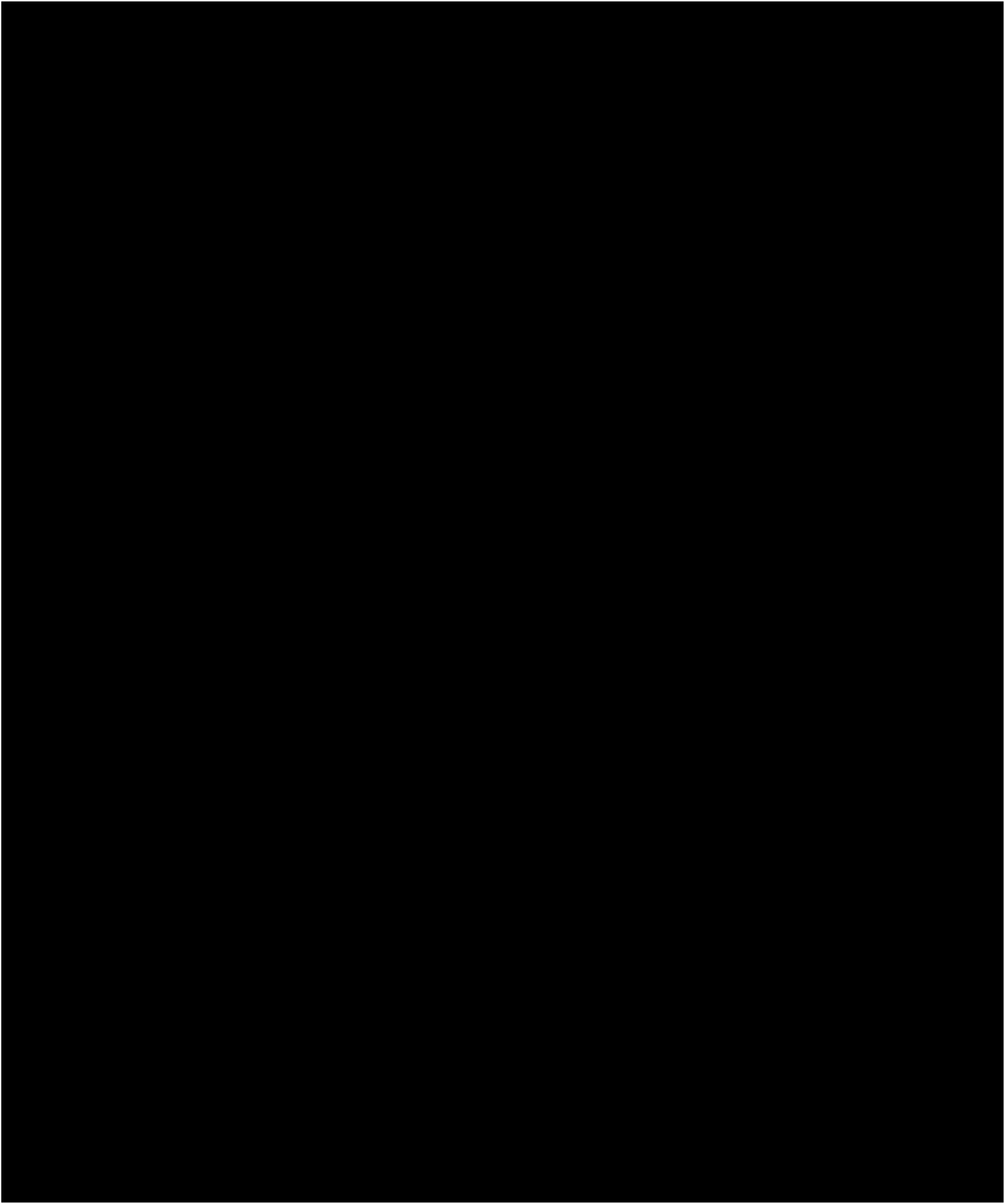
NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



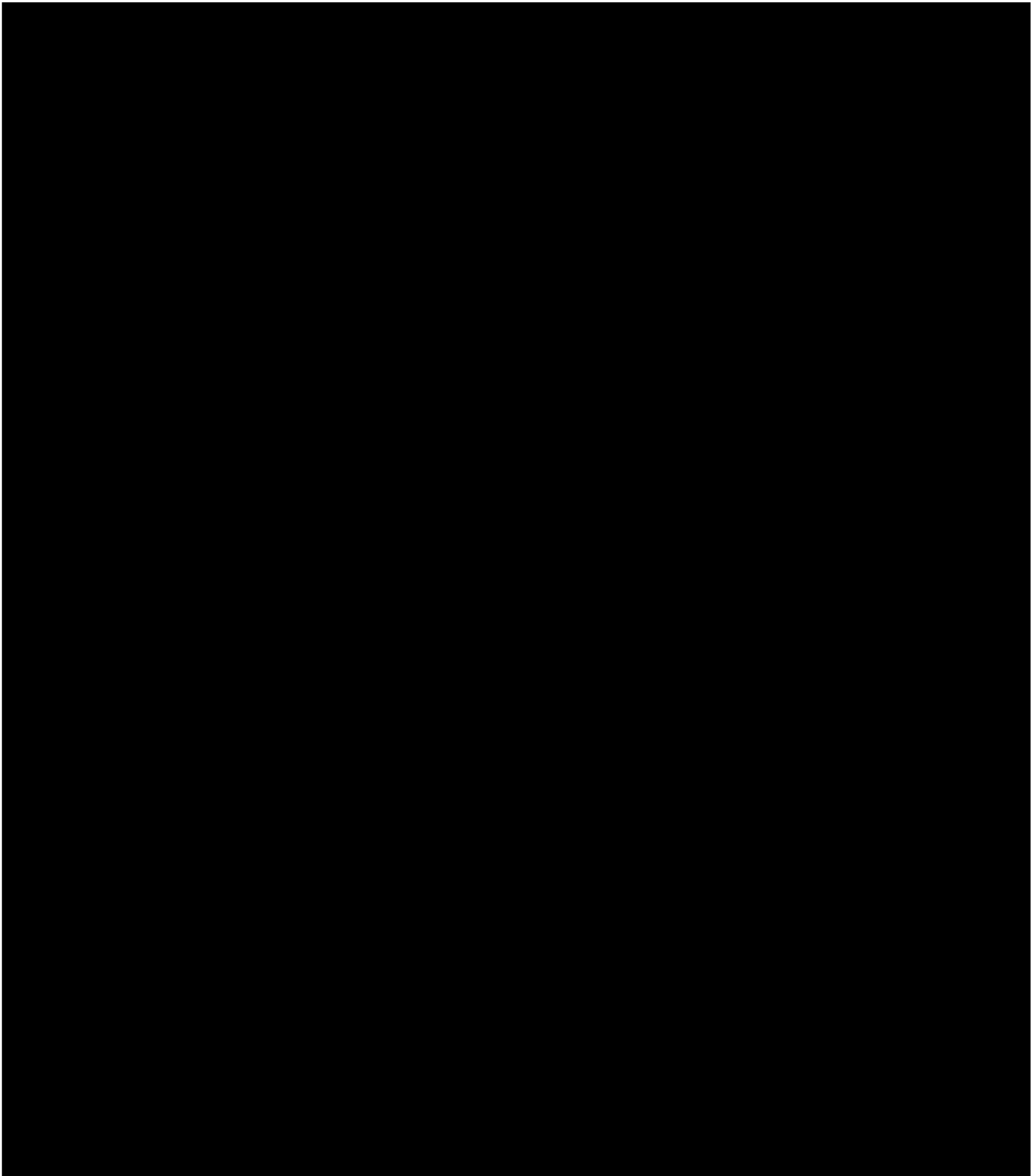
NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



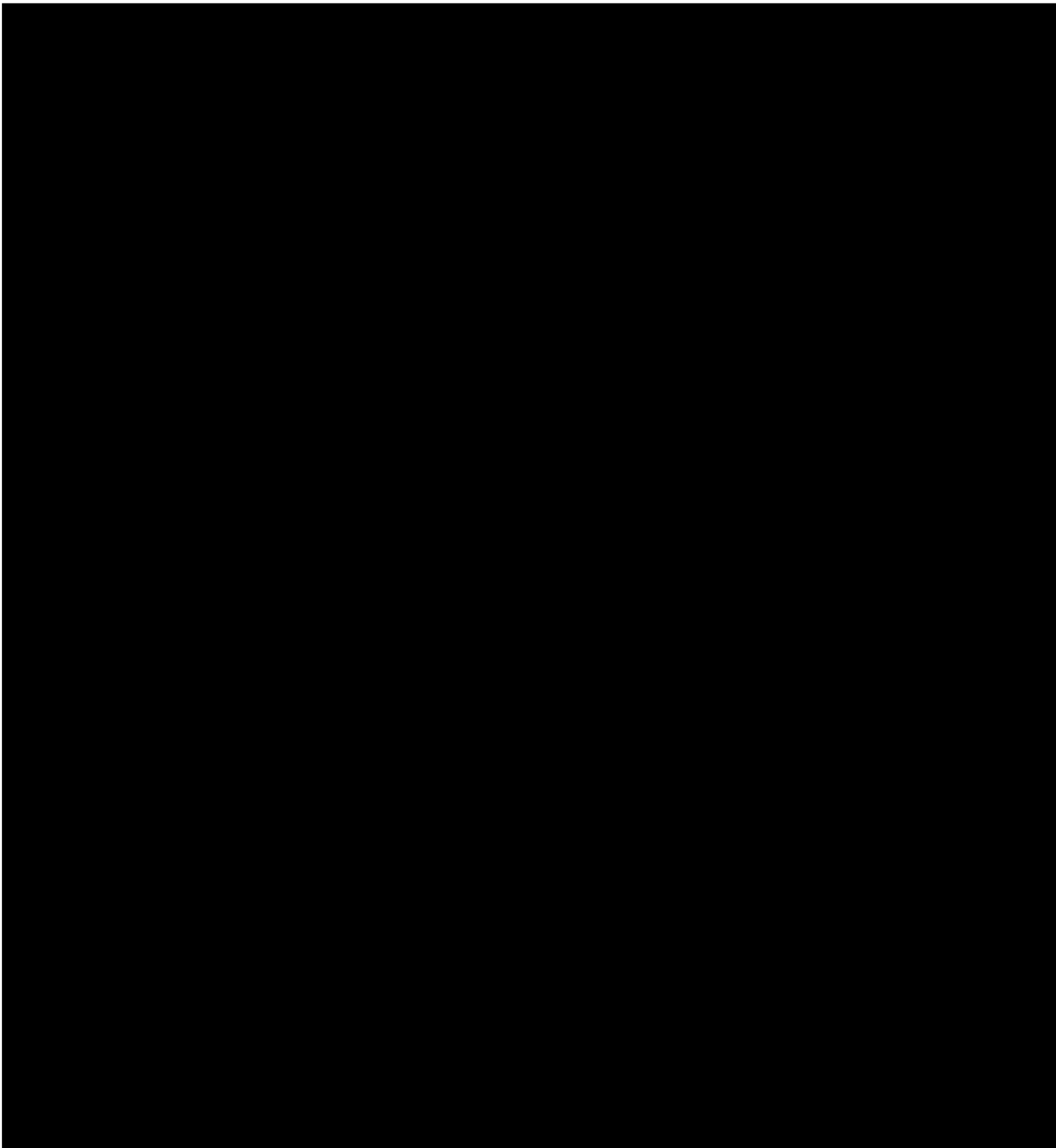
NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



NOFORN, NOCONTRACT, ORCON
~~SECRET~~

~~SECRET~~
NOFORN, NOCONTRACT, ORCON



NOFORN, NOCONTRACT, ORCON
~~SECRET~~

ITEM 4: CALI CARTEL MONEY LAUNDERING

CALI CARTEL MONEY LAUNDERERS GENERALLY WORK LIKE INDEPENDENT CONTRACTORS, SERVICING NOT ONLY CALI-BASED BUT OTHER TRAFFICKERS AS WELL. MOST OF THEM ARE PROFESSIONALLY TRAINED IN BANKING, SECURITIES, COMMODITIES, AND/OR REAL ESTATE. OPERATING PRIMARILY IN CALI, BOGOTA, AND BARRANQUILLA,

MODIS OPERANDI

THE CALI CARTEL USES A WIDE VARIETY OF METHODS, INSTITUTIONS, AND INDIVIDUALS TO MOVE, LAUNDER, AND INVEST ITS FUNDS. LAW ENFORCEMENT AND INTELLIGENCE SOURCES HAVE IDENTIFIED COLOMBIAN COCAINE ACCOUNTS IN HUNDREDS OF BANKS AROUND THE WORLD. FUNDS REACH THESE ACCOUNTS THROUGH ANY COMBINATION OF EXCHANGE HOUSES, BROKERAGE FIRMS, PRECIOUS METALS DEALERS, INSURANCE COMPANIES, AND INTERNATIONAL TRADE COMPANIES. [REDACTED]

THE CALI CARTEL GENERALLY DOES BUSINESS WITH A NUMBER OF INDEPENDENT MONEY LAUNDERERS WHO RESIDE IN COLOMBIA, NEVER COME IN CONTACT WITH THE DRUGS, AND PROBABLY RARELY HANDLE BULK CASH. LAW ENFORCEMENT AND INTELLIGENCE REPORTING INDICATES THAT THE MONEY LAUNDERERS GENERALLY CHARGE A COMMISSION RANGING FROM 5 TO 15 PERCENT. THE COMMISSION IS DETERMINED BY SUPPLY AND DEMAND AND BY THE RISK ASSOCIATED WITH THE TRANSACTIONS. THE LOWER COMMISSIONS MAY COVER MOVING US DOLLARS OUT OF THE UNITED STATES OR INTO A FINANCIAL INSTITUTION. THE HIGHER COMMISSIONS PROBABLY COVER A COMPLETE LAUNDERING CYCLE THAT RETURNS 'CLEAN' MONEY TO THE TRAFFICKER. [REDACTED]

IMPROVING SECURITY AND SOPHISTICATION

COLOMBIAN MONEY LAUNDERERS HAVE IMPROVED THE SECURITY AND SOPHISTICATION OF THEIR TRANSACTIONS IN THE LAST FEW YEARS IN RESPONSE TO INTENSIFIED COUNTERNARCOTICS EFFORTS IN THE UNITED STATES AND ABROAD. THE CARTEL IS INSULATED BY THE EXTENSIVE USE OF OPERATING CELLS THAT LIMITS THE ACCESS AND KNOWLEDGE ANY ONE MEMBER CAN GAIN ABOUT THE OPERATION. ONLY A FEW OUTSIDE THE PRINCIPALS KNOW ALL THE KEY ELEMENTS. WITHIN A CELL, HOWEVER, THE BOSS MAINTAINS DETAILED BUSINESS LEDGERS TO TRACK THE COCAINE AND THE MONEY, ACCORDING TO SEIZED RECORDS. [REDACTED]

THE CARTEL'S MONEY LAUNDERERS ARE FORTIFYING THEIR FINANCIAL DEFENSES WITH AN ARRAY OF TACTICS THAT INVOLVE BOTH HUMAN AND TECHNICAL RESOURCES, [REDACTED]

--THE CARTEL DOES ALMOST ALL OF ITS BUSINESS USING LAYERS OF FRONT COMPANIES AND PEOPLE, CHANGES ACCOUNTS AND NAMES REGULARLY, AND MOVES MONEY WORLDWIDE.

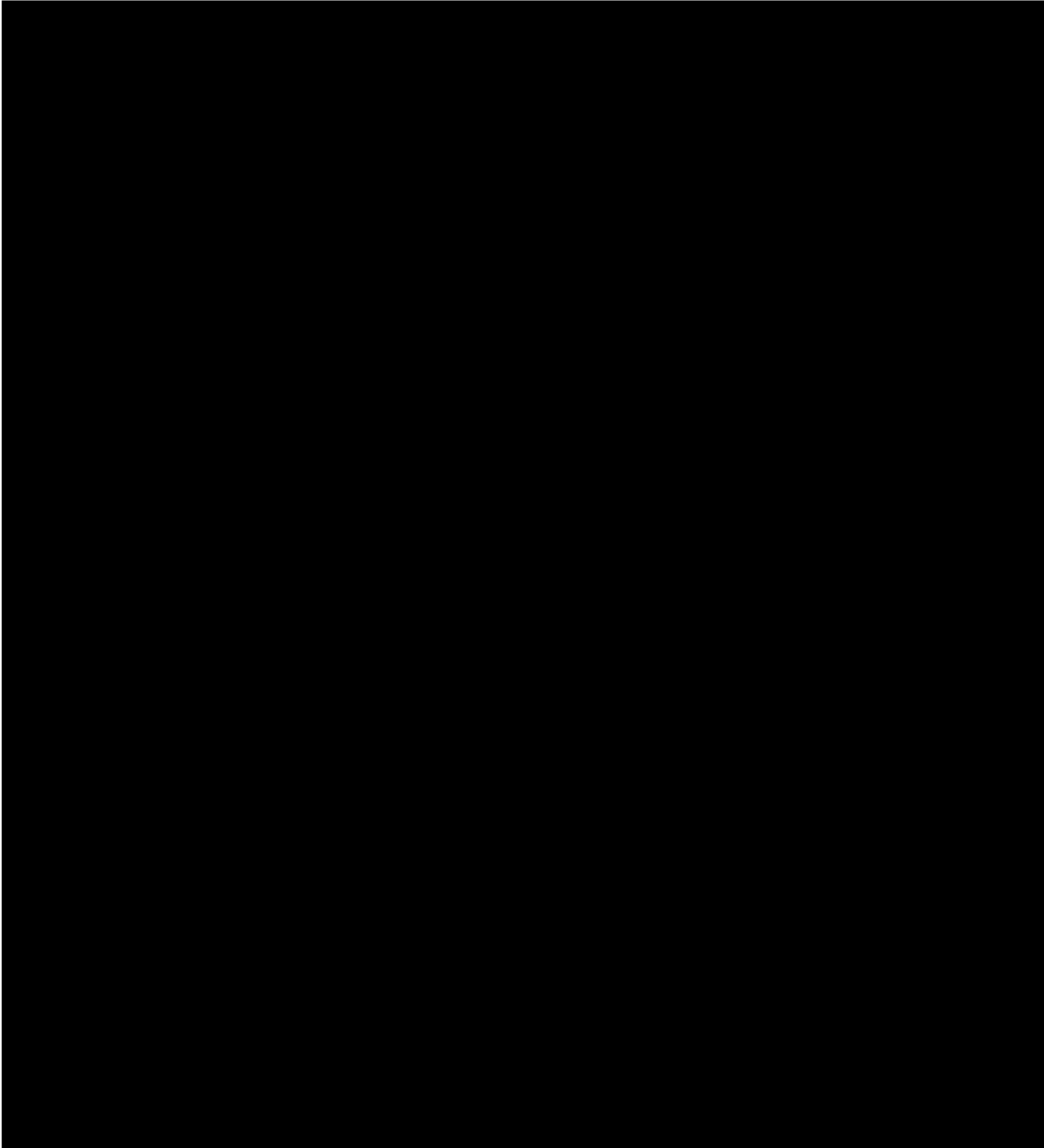
--THE LAUNDERERS USE NUMEROUS ACCOUNTS AT MANY DIFFERENT BANKS AND AVOID LEAVING LARGE BALANCES SITTING IN ANY ONE ACCOUNT.

--CALI LAUNDERERS USE MANY OF THE MOST SOPHISTICATED FINANCIAL INSTRUMENTS AVAILABLE TODAY. [REDACTED]

THE LAUNDERERS FACILITATE THEIR BUSINESS WITH STATE-OF-THE-ART

COMMUNICATIONS EQUIPMENT, INCLUDING COMPUTER MODEMS ATTACHED TO FACSIMILE MACHINES, SATELLITE PAGERS, MOBILE TELEPHONES, AND TELEX, ACCORDING TO A VARIETY OF REPORTING. COMMUNICATIONS SECURITY INCLUDES THE USE OF CALL SIGNS AND NICKNAMES AS WELL AS DIFFERENT TELEPHONES, TELEPHONE NUMBERS, AND RADIOFREQUENCIES, ALL OF WHICH ARE CHANGED OFTEN. [REDACTED]

BEGIN BOX



[REDACTED]

FUNDAMENTALS OF DRUG MONEY

THE SCOPE AND COMPLEXITY OF MONEY-LAUNDERING SCHEMES DEPEND ON THE TRAFFICKER'S RESOURCES AND PERCEPTION OF THE THREAT TO HIS WEALTH. ALMOST ALL LAUNDERING OPERATIONS, HOWEVER, BREAK DOWN INTO THREE FUNDAMENTAL STAGES: CURRENCY PLACEMENT, LAYERING, AND INTEGRATION. [REDACTED]

PLACEMENT

WHILE MONEY LAUNDERING IS BECOMING MORE SOPHISTICATED, TRAFFICKING ORGANIZATIONS CONTINUE TO PHYSICALLY SMUGGLE LARGE QUANTITIES OF THEIR NARCOPROFITS OUT OF THE UNITED STATES AS CASH, CHECKS, AND MONEY ORDERS. SUCH SMUGGLING OPERATIONS ARE SLOW AND CARRY A HIGHER RISK OF LOSS OR SEIZURE THAN THE MORE SOPHISTICATED LAUNDERING SCHEMES, BUT THE PRESSURE THE US GOVERNMENT HAS PLACED ON FINANCIAL INSTITUTIONS TO REPORT LARGE CASH TRANSACTIONS PROBABLY FORCES THE USE OF SOME BULK SHIPMENTS. IN THE CASE OF CASH, TRAFFICKERS FACE CONSIDERABLE LOGISTIC PROBLEMS IN MANAGING BULK SHIPMENTS. EVERY KILOGRAM (KG) OF COCAINE SOLD IN THE UNITED STATES EARNS AS MUCH AS 3 KG OF CURRENCY. [REDACTED]

SMUGGLING METHODS VARY WIDELY AND INCLUDE USING A NETWORK OF TRUSTED ''MULES'' TO CARRY CURRENCY IN SUITCASES; CONCEALING CHECKS OR MONEY ORDERS IN CLOTHING; USING EXPRESS MAIL SERVICES; AND HIDING CASH IN OUTBOUND GOODS SHIPMENTS, SUCH AS FURNITURE OR TELEVISION SETS. IN ONE SCHEME IN THE LATE 1980S, FEDERAL AGENTS IN MIAMI SEIZED MORE THAN \$2 MILLION AWAITING SHIPMENT TO COLOMBIA IN MICROWAVE OVENS THAT HAD BEEN REMOVED FROM THEIR ORIGINAL CARTONS, GUTTED, FILLED WITH MONEY, REASSEMBLED, AND PLACED IN THE RESEALED CARTONS FOR EXPORT. [REDACTED]

MONEY LAUNDERERS PREFER PLACING THEIR MONEY INTO A FINANCIAL INSTITUTION OR BUYING GOLD OR OTHER BIG-TICKET ITEMS AS QUICKLY AS POSSIBLE. [REDACTED] THE BEST MONEY LAUNDERERS CAN DEPOSIT DRUG MONEY INTO BANK ACCOUNTS ANYWHERE IN THE WORLD IN AS FEW AS 48 HOURS FROM THE TIME THE CASH IS EXCHANGED ON THE STREET. [REDACTED]

ONE OF THE MOST DIRECT, ALBEIT ILLEGAL, WAYS TO PLACE DRUG MONEY INTO US BANKS WHILE AVOIDING THE LEGAL REPORTING REQUIREMENTS ON TRANSACTIONS OF \$10,000 OR MORE IS STRUCTURING--BREAKING DOWN LARGE SUMS OF MONEY INTO SMALLER DEPOSITS. COLOMBIAN MONEY LAUNDERERS MAKE WIDESPREAD USE OF THIS METHOD WITH BOTH US BANK ACCOUNTS AND WITH MONEY ORDERS PURCHASED AT US POST OFFICES, SUPERMARKETS, AND DRUGSTORES, ACCORDING TO LAW ENFORCEMENT INVESTIGATIONS. [REDACTED]

COLOMBIAN TRAFFICKERS USE CURRENCY EXCHANGE HOUSES ALL OVER THE

WORLD TO LAUNDER THEIR FUNDS, [REDACTED] THE EXCHANGE HOUSES ACCEPT US DOLLAR DRUG CASH FROM TRAFFICKERS AND EITHER WIRE TRANSFER THE FUNDS TO FOREIGN BANK ACCOUNTS OR ISSUE CHECKS THAT THE TRAFFICKERS CAN MORE EASILY TRANSPORT AND DEPOSIT INTO BANKS. OFTEN REFERRED TO BY THEIR SPANISH NAME, 'CASAS DE CAMBIO,' THESE EXCHANGE HOUSES ARE WIDESPREAD IN COLOMBIA AND IN VENEZUELA NEAR THE COLOMBIAN BORDER. THEY VARY IN SIZE FROM A SINGLE MONEYCHANGER ON THE STREET TO LARGE, MULTIFUNCTION INSTITUTIONS HANDLING MILLIONS OF DOLLARS A MONTH. LARGE OR SMALL, EXCHANGE HOUSES GENERALLY OPERATE FREE OF WHATEVER GOVERNMENT SUPERVISION AND REGULATION EXISTS FOR BANKS. [REDACTED]

CALI MONEY LAUNDERERS ALSO ARE USING GOLD DEALERS AND OTHER BUSINESS FRONTS TO LAUNDER MUCH OF THEIR NARCOPROFITS, [REDACTED]

[REDACTED]

LAYERING

ONCE DRUG MONEY HAS ENTERED THE FINANCIAL SYSTEM, THE LAUNDERER WILL LAYER IT THROUGH A SERIES OF TRANSACTIONS DESIGNED TO CONCEAL ITS CRIMINAL ORIGIN. FAVORITE OFFSHORE BANKING CENTERS CONTINUE TO BE PANAMA, THE NETHERLANDS ANTILLES, THE BAHAMAS, AND THE CAYMAN ISLANDS. [REDACTED] BELIEVES THAT THERE HAS BEEN A MAJOR INCREASE IN WIRE TRANSFERS OF DRUG DOLLARS FROM US BANKS TO COLOMBIAN BANKS AND A RESULTANT INCREASE IN NARCOWEALTH IN COLOMBIA. THE INCREASE PROBABLY IS A RESULT OF MONETARY REFORMS ENACTED BY BOGOTA IN FEBRUARY 1991 THAT EXPANDED THE ABILITY OF DRUG TRAFFICKERS TO LEGALLY REPATRIATE AND LAUNDER THEIR FUNDS. [REDACTED]

[REDACTED]

CALI TRAFFICKERS USE COMMERCIAL ENTERPRISES EXTENSIVELY TO LAUNDER THEIR FUNDS. [REDACTED]

INTEGRATION

WHEN THE TRAFFICKER IS SATISFIED THAT THE MONEY LAUNDERER HAS SUFFICIENTLY DISTANCED THE MONEY FROM ITS ILLEGAL ORIGIN, HE MUST, LIKE ANY INVESTOR, DECIDE WHAT TO DO WITH IT. IDEALLY, THE MONEY'S INTEGRATION BACK INTO NORMAL FINANCIAL ACTIVITIES SHOULD MAKE IT AVAILABLE FOR EITHER OPERATIONAL EXPENSES OR TO SUPPORT HIS LIFESTYLE, AS WELL AS PROVIDE SOME PLAUSIBLE EXPLANATION FOR THE TRAFFICKER'S WEALTH. CALI CARTEL LEADER GILBERTO RODRIGUEZ OREJUELA HAS OWNED AT LEAST TWO BANKS THAT HE USED TO LAUNDER MONEY. THE PROBABILITY THAT COLOMBIAN NARCOTICS CHIEFTAINS SECRETLY OWN OR EXERCISE CONTROL OVER OTHER FINANCIAL INSTITUTIONS IS HIGH. WE BELIEVE THEY USE BANCO CAFETERO, BANCO DE BOGOTA, BANCO DE COLOMBIA, BANCO DE OCCIDENTE, AND BANCO GANADERO EXTENSIVELY FOR MONEY LAUNDERING. [REDACTED]

COUNTERING THE CARTEL

CALI TRAFFICKERS HAVE, FOR THE MOST PART, BEEN ABLE TO EVADE COLOMBIAN GOVERNMENT CONTROLS ON MONEY MOVEMENT AND HAVE BEEN SUCCESSFUL IN INVESTING THEIR FUNDS IN COLOMBIA AND IN OTHER COUNTRIES. THE ABSENCE OF LEGISLATION CRIMINALIZING MONEY LAUNDERING AND INADEQUATE ENFORCEMENT RESOURCES IN COLOMBIA SERIOUSLY HANDICAP THE FIGHT AGAINST MONEY LAUNDERING. THE SERIES OF RAIDS THAT BEGAN IN NOVEMBER 1991 ON CALI CARTEL FINANCIAL TARGETS REPRESENT A POTENTIAL FOR CHANGE, HOWEVER. COLOMBIAN PRESIDENT CESAR GAVIRIA HAS MADE GOOD ON HIS STATED INTENTION TO CRACK DOWN ON THE CALI CARTEL. THE RAIDS ON THEIR OWN TURF, BLOCKING FOR THE FIRST TIME 55 OF THEIR COLOMBIAN BANK ACCOUNTS, AND SYNCHRONIZED LAW ENFORCEMENT ACTION IN THE UNITED STATES REPRESENT AN UNSETTLING NEW DEVELOPMENT FOR THE CALI KINGPINS. [REDACTED]

BEGIN BOX


THE CALI RAIDS

COLOMBIAN AUTHORITIES, ASSISTED BY THE US DRUG ENFORCEMENT ADMINISTRATION (DEA), BEGAN A SERIES OF RAIDS ON 22 NOVEMBER 1991 IN BOGOTA, BARRANQUILLA, AND CALI ON TRAFFICKER FINANCIAL CENTERS. THE RAIDS RESULTED IN THE ARREST OF TWO MAJOR COLOMBIAN MONEY LAUNDERERS AND THE IDENTIFICATION OF MORE THAN 350 SUSPECT BANK ACCOUNTS IN MORE THAN 100 BANKS IN GERMANY, PANAMA, GRAND CAYMAN, THE UNITED KINGDOM, CANADA, AND THE UNITED STATES. THE COLOMBIAN NATIONAL POLICE, IN AN UNEXPECTED MOVE, BLOCKED SOME 55 COLOMBIAN BANK ACCOUNTS USING AN OLD LAW PERTAINING TO 'UNEXPLAINED WEALTH.' IN THE SEVEN DAYS FOLLOWING THE FIRST RAID, US AUTHORITIES IMPOUNDED

MORE THAN \$13 MILLION IN CASH, GOLD, AND BANK ACCOUNTS, AND THE UNITED KINGDOM IMPOUNDED OVER \$2 MILLION IN A LONDON BANK ACCOUNT.



IN THE WAKE OF THE RAIDS, THE DEA AND OTHER US LAW ENFORCEMENT AGENCIES REPORT A SLOWING IN THE FLOW OF COCAINE REVENUES FROM THE UNITED STATES BACK TO COLOMBIA. THIS HAS CREATED A BACKUP OF REVENUES IN THE UNITED STATES AND HAS FORCED TRAFFICKERS TO PAY HIGHER FEES FOR MONEY-LAUNDERING SERVICES. HOWEVER, US OFFICIALS NOTE THAT THE CARTEL HAS ALREADY REPLACED THE MONEY MANAGERS TARGETED BY THE RAIDS.



END BOX

CALI MONEY LAUNDERERS HAVE PROVED TO BE ADEPT AT EXPLOITING LAXITY IN FINANCIAL REGULATIONS WORLDWIDE AND FLEXIBLE IN RESPONDING TO ANTI-MONEY-LAUNDERING DEVELOPMENTS. WE EXPECT THEY WILL GRADUALLY EXPAND THEIR OPERATIONS IN LESS REGULATED BANKING CENTERS OUTSIDE EUROPE AND THE AMERICAS; ASIA SEEMS THE MOST INVITING LOCATION. FURTHER, WE BELIEVE THE LAUNDERERS WILL INCREASINGLY TURN TO NONBANK FINANCIAL INSTITUTIONS, SUCH AS CURRENCY EXCHANGE HOUSES, IMPORT-EXPORT FIRMS, AND INSURANCE COMPANIES, WHICH HAVE FOCUSED RELATIVELY LITTLE ATTENTION ON MONEY LAUNDERING. FINALLY, WE EXPECT TO SEE NEW AND MORE SOPHISTICATED LAUNDERING MECHANISMS BECAUSE SUCH SCHEMES ARE LIMITED ONLY BY THE CRIMINAL'S IMAGINATION.

